

Minority Business Development Agency National Director Ronald N. Langston
Remarks before the 29th Annual California Hispanic Chamber of Commerce State
Convention, San Francisco, CA

FACING THE CHALLENGE OF CHANGE

On behalf of the President of the United States and the U.S. Secretary of Commerce Carlos Gutierrez, I am honored to be here this year for your 29th Annual State Convention. To Chairman Macias, President Ayala, Ms. Martha Montoya and all the board members and staff of the California Chamber of Commerce, thank you for having me today. I want to take a moment and introduce my great team here with me today.

I was really excited and delighted to receive Martha's information about the Access to Business Capital Program, the ABC Program, established in 2004 in Southern California. However, I leaped for joy when I read that the ABC Program is now the Chamber's flagship statewide program throughout the local Hispanic Chambers of Commerce. My Regional Director for the San Francisco Region, Ms. Linda Marmelejo. Ms. Maria Acosta, Chief of the San Francisco Regional Office. Mr. Efrain Gonzales, who really deserves the credit for the vision behind the access to capital initiative. He is my Chief of the Office of Business Development at the Agency, Mr. Efrain Gonzales. Also, Ms. Ivonne Cunnaro, my Chief Officer of Knowledge Management at the Agency who is the expert in our office on data reflecting minority business. Lastly, my Senior Advisor who recently joined my team Ms. Mary Millben. I have a great team and I am honored to have them present with me today.

Thank you Martha for your leadership with the ABC program. You and the California Hispanic Chamber have embraced the mission of MBDA by stressing the importance of accessing capital.

MISSION OF MBDA

The mission of MBDA is to enhance the growth and expansion of minority business enterprises nationally. We believe in order to achieve entrepreneurial parity for minority businesses, we as the leaders in the minority business community must develop methods for minority businesses to access capital. Furthermore, that is why we at MBDA believe it is a national priority to stimulate the growth of small and emerging businesses as part of the competitive viability of the U.S. economy.

With a network of nearly 50 business centers located throughout the nation, MBDA is able to provide minority entrepreneurs with one-on-one assistance in writing business plans, accessing capital, securing insurance and bonding requirements, forging joint ventures and identifying contracting opportunities. We believe the success or failure of minority-owned firms will increasingly drive the success or failure of the

overall U.S. economy. That is why MBDA has deemed minority business enterprises as the national priority for a competitive economy going forward.

More than ever, minority business is imperative for a growing, global economy and how we as minority business leaders must begin to creatively tap opportunities for wealth through strategic alliances.

STATE OF MINORITY POPULATION

According to the U.S. Census Bureau's 2008 to 2050 U.S. Population Projections released earlier today, minorities, now roughly one-third of the U.S. population, are expected to become the majority in 2042, with the nation projected to be 54 percent minority in 2050. By 2050, the minority population — everyone except for non-Hispanic, single-race whites — is projected to be 235.7 million out of a total U.S. population of 439 million. The nation is projected to reach the 400 million population milestone in 2039.

The non-Hispanic, single-race white population is projected to be only slightly larger in 2050 (203.3 million) than in 2008 (199.8 million). In fact, this group is projected to lose population in the 2030s and 2040s and comprise 46 percent of the total population in 2050, down from 66 percent in 2008.

Meanwhile, the Hispanic population is projected to nearly triple, from 46.7 million to 132.8 million during the 2008-2050 period. Its share of the nation's total population is projected to double, from 15 percent to 30 percent. Thus, nearly one in three U.S. residents would be Hispanic.

From the perspective of MBDA, this further fuels the business case for stimulating minority entrepreneurship and business ownership in the United States. Doing so is in the strategic interest of the United States.

MINORITY ENTERPRISE: A NATIONAL PRIORITY

The Nation's four million minority-owned firms, who employ more than 4.7 million people and generate over 700 billion, are in the position to generate long-term employment and economic sustainability in their communities. But, if the U.S. economy is to sustain its strength and global competitiveness, the national minority business enterprise community must grow in size, scale and capacity. If the national minority business enterprise community is not generating wealth, America will not be competitive in the 21st century.

The private sector, in cooperation with the public sector, must aggressively pursue business and policy strategies which recognize the demographic changes underway in the United States. We have supported their success as a social activity and not a business imperative. Yet, minority entrepreneurs are establishing businesses at a faster rate than non-minority entrepreneurs. Between 1997 and 2002, the number of MBEs increased by

30%. The number of non-minority firms increased by only 6%. Annual gross receipts generated by MBEs increased by 12% compared to gross receipts generated by non-minority firms which only increased by 4% over the same period. Lastly, the number of workers employed by MBEs grew by 4% between 1997 and 2002 compared to the number of workers employed by non-minority firms which declined 7%.

This data proves our business case. Minority firms are poised to leverage their ancestral ties, language capabilities and cultural compatibility with Latin America, Asia, Africa and the Caribbean to benefit the global economy. Investment in MBEs can produce measurable results. And as a result, partnerships with minority business entrepreneurs offer infinite possibilities leading to growth.

The business model of the immediate future will demand strong, viable and reliable MBEs that can serve as both independent and interdependent suppliers and contractors for U.S. businesses.

It also requires innovative and competitive MBEs that span regional, national and global boundaries. To accomplish this, we must transform our approach by teaching and managing the next generation of business entrepreneurs.

NEXT GENERATION OF ENTREPRENEURS: THE CHALLENGE

And for the next generation of minority business entrepreneurs, there are three keys to entrepreneurial success: Access to Capital, Access to Capital, Access to Capital. Access to Education, higher education and business training. Access to Technology, the use of technology as a business tool. And I glad to see these three keys reflect your commitment in your next direction. Of these three keys, I want to spend the remainder of my comments today on Access to Capital. For minority business enterprises to fully realize their growth potential, they must also overcome some unique challenges. For example, a recent MBDA report reveals that securing adequate capital to start and expand the business remains a problem for most minority-owned firms. Minority-owned firms were more likely to use more costly sources of capital, such as credit cards, and less likely to use bank loans to start or acquire their businesses compared to non-minority-owned firms.

In fiscal year 2006, MBDA produced 1.6 billion in procurement opportunities for its minority business clients. Martha, I am glad to see this is an action item for the ABC program- establishing a loan guarantee program with private sector banking regarding investment in early state emerging market firms. The future is in California, in your hands and in the California Hispanic Chamber of Commerce.

Furthermore, currently, minority firms are less concentrated in high asset industries with relatively high capital expenditures per employee, such as utilities, construction and manufacturing. We need more minority firms of size and scale in these industries. Most MBEs are concentrated in other services including machinery repairing, advocacy, grant making, health care, social assistance, retail, professional, scientific and technical services, etc. In comparison, most U.S. firms have higher percentages in

concentrated areas such as construction, retail trade and manufacturing. These industries naturally garner greater opportunities for accessing capital and joint ventures. This fall, I am happy to say MBDA is launching a pilot program, lead by Mr. Efrain Gonzales, Chief of the MBDA Office of Business Development, to begin encouraging more minority business growth in the construction and manufacturing industries.

THE CHALLENGE

The United States must continue to lead the world in harnessing the creative power and talent of individuals committed to the excellence and the advancement of the human condition. Our greatest resource and advantage as a nation has always been our educated, hard working, ambitious people and we must keep that edge. And let me make this point. I am very alarmed over the high school drop-out rate of our African American and Hispanic students. The drop-out rate is 40-70% in some areas of the country. Unacceptable, unacceptable, unacceptable. We can not have this and expect to be a great people. If young people, especially minorities, do not see themselves as part of the President's vision of an "ownership society," then the ownership of America—its market, assets and global value chains—will become the ownership of others. Capital is vital to a new society of minority ownership.

Therefore, minority entrepreneurs must continue to do everything they can to be prepared to compete in the 21st century economy. Preparation means positioning yourself and your business to access capital. Preparation means being financially literate and excelling at running the back room of your business. Competition in the 21st century economy will require using technology as a business tool for administrative efficiencies, quality control and market expansion to achieve competitive advantage. Being prepared is building strategic alliances to enhance and expand your business, as I mentioned earlier, in size, scale and capacity.

And so I want to lay down a challenge to the California Hispanic Chamber of Commerce this morning. You now have before you a mission not merely a "challenge of hope," but of "promise;" America's promise to ensure the commitment to the American mission of freedom, justice and equality to be extended to people of color everywhere.

Between now and 2050 the fastest growing segment of the U.S. population will be among minorities. Equally significant is that the growth in the U.S. labor force will largely come from the minority segments of the population. Much of minority growth will be fueled by immigration. The United States will once again become a nation of immigrants. The difference will be that the immigration will be people of color. The challenge for the United States is to embrace the demographic change. The challenge for the California Hispanic Chamber of Commerce is to keep the promise of the America mission.

Some will fear this change. I say, let us embrace and welcome the change.

Some will complain about the burden and costs of immigration or the shifting of minority populations, as you read on the front page of the New York Times today, to majority status in some states. I say the positive rewards of inclusion, diversity and the growth of minority business enterprise will far outweigh the negative externalities based upon fear and ignorance.

It is a fact the United States more than any other country in the world looks and speaks like every other country in the world. This is our strength and competitive advantage in a 21st century worldwide economy. We must see ourselves as contenders committed not merely to be participants, but winners in the world-wide economy.

Therefore, as *President Lincoln* one noted "... we must disenthral ourselves from dogmas of the past..." and distance ourselves from those that seek shelter from the inward comfort of isolationism. Let's export. Let's go on these great ventures to the Dominican, Africa, to Asia. Let us be fearless.

Let us prove once again to a doubting world -- we have the 'right stuff.' Let us demonstrate by our deeds, not our rhetoric -- we have the skill and courage to reach out to Native peoples, Hispanics, Asians and others from distant lands and faraway shores. Let those of us from many hues and nationalities inform the doubters that in the spirit of Langston Hughes "we too speak American."

Let me say this again—so there is no doubt in anyone's mind—the success or failure of minority-owned businesses will increasingly drive the success or failure of the overall U.S. economy. For the U.S. to maintain its prosperous living standards, we must build upon the entrepreneurial spirit of the U.S. minority population. This is our strength and also our competitive advantage in the 21st century worldwide economy. Again, that is why MBDA has deemed minority business enterprises as the national priority. We are committed to assisting minority business enterprises in taking charge of their destiny and dreams. And as the good book says, "to much is given, much is required." And the anecdote to that is "the Lord giveth and the Lord taketh away." Furthermore, remember II Corinthians 4:8-9, "We are experiencing trouble on every side, but are not crushed; we are perplexed, but not driven to despair; we are persecuted, but not abandoned; we are knocked down, but not destroyed." Let us have the courage. Let us have the execution. Let us be great. On behalf of the President and Secretary Carlos Gutierrez, thank you for the opportunity to speak and I look forward to MBDA and the California Hispanic Chamber of Commerce working more closely together in the future.